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SUBJECT: OPIC Visit Energizes Banks Supporting Jordan's Housing and Mortgage Initiative

Ref: A) AMMAN 137  
B) AMMAN 136  
C) 08 AMMAN 2316

¶1. (SBU) OPIC Vice President Robert Drumheller, in order to invigorate stalled negotiations, discussed proposed OPIC housing loans with senior government officials and participating Jordanian banks during a January 25-30 visit. The \$250 million in loans would allow three local banks to make 25-year mortgages to low-income Jordanians at fixed, below-market rates as part of a royal housing initiative (ref C). Chief of the Royal Court Nasser Lozi reiterated his commitment to the housing and OPIC loan programs and promised the government's support in encouraging a speedy conclusion to the negotiations, which OPIC would like to finalize by March 6, 2009.

¶2. (SBU) While the housing initiative originally planned for the construction of 20,000 new homes annually, Director General of the Housing and Urban Development Corporation Sana Mhyair estimated that just 400 have been completed since the program launched in August 2008. She projected that only 4,500 homes would be constructed in 2009. Minister of Public Works and Housing Engineer Sahel Majali said that demand for the housing program is high and ideally the housing and loan programs could provide mortgages with average monthly payments of \$174 for civil servants with monthly incomes near \$450. He said the draft Landlords and Tenants Law, which allows for rental price increases, was just sent to parliament and makes the housing program even more necessary (ref A).

¶3. (SBU) Central Bank of Jordan Deputy Governor Kholoud Saqqaf told the OPIC delegation that the protracted bank negotiations reflect the conservative philosophy of the banks (ref B). Arab Bank Credit Manager Ahmed Al Halim summarized the banks' concerns about the OPIC loan by explaining that both the 25-year length and the international loan terms are unique in Jordan. He explained that while the banks want to make the deal happen, they do not want the loan terms to excessively restrict the banks' abilities to operate during the extended period.

¶4. (SBU) Saqqaf said that all Jordanian banks, including the three participant banks, have slowed down their lending and have become more selective since the start of the global credit crisis. She was quick to point out that the banks remain quite liquid and their credit condition has not deteriorated. Saqqaf added that Arab Bank, the most conservative bank in Jordan and biggest of the three participant banks, has become even more conservative in light of the global financial crisis. Samir Tamimi, Senior Vice President of Arab Bank's Global Credit Unit, explained that while it remains "business as usual" for Arab Bank's long-term customers, the bank has indeed become very cautious about lending to new customers due to the worldwide credit crunch.

## Housing Minister Proposes Another Approach

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¶5. (SBU) Majali proposed to OPIC, that rather than having the banks issue the mortgages, that his Ministry could receive the \$250 million OPIC loan and issue mortgages. He added that because his ministry does not need to make the 2.5% profit that the banks are budgeting, the mortgages could be offered at a lower interest rate. OPIC advised Majali that if he wanted to create a new mortgage-lending entity that he should do so with International Finance Corporation (IFC) involvement. OPIC said, however, that it intends to continue with the current bank loan negotiations. Cairo Amman Bank (CAB) General Manager Kamal Al Bakri criticized the Minister's plan and pointed to the government's inability to collect student loan payments from 24,000 borrowers as indicative of its inability to act as a bank. He said the government recently hired CAB to act as a collection agency after it cancelled the student loan program.

¶6. (U) OPIC cleared this message.

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